

# **State of Alaska FY2007 Governor's Operating Budget**

## **Department of Revenue Alaska Retirement Management Board Component Budget Summary**

## Component: Alaska Retirement Management Board

### Contribution to Department's Mission

The mission of the Alaska Retirement Management Board is to manage state pension funds.

*The legislation that established the Alaska Retirement Management Board (ARMB) reads as follows:*

*"The board's primary mission is to serve as the trustee of the assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees."*

*The ARMB has met twice and is expected to adopt a working mission statement at a future meeting. Until the ARMB adopts a new working mission statement, the mission statement from the previous board (ASPIB) will be used in our budget documents.*

### Core Services

- Invest the funds of the state pension plans:

Public Employees' Retirement System  
 Teachers' Retirement System  
 Judicial Retirement System  
 Alaska National Guard and Alaska Naval Militia Retirement System  
 Health Reimbursement Arrangement Plan.

- Select and monitor appropriate investment options for Supplemental Benefits System (SBS), Deferred Compensation and Defined Contribution Plan.
- Report to the governor, legislature, individual employers and other stakeholders the financial condition of the systems in regard to:

Valuation of trust fund assets and liabilities;  
 Current investment policies adopted by the board;  
 A summary of assets held in trust listed by the categories of investment;  
 The income and expenditures for the previous fiscal year;  
 One-year, three-year, five-year and 10-year investment performance for each of the funds entrusted to the board; and

Other statistical data necessary for a proper understanding of the financial status of the systems.

End Results	Strategies to Achieve Results
<p><b>A: Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.</b></p> <p><u>Target #1:</u> Exceed 1-year and 5-year target returns.  <u>Measure #1:</u> Actual returns compared with target returns reported by consultant.</p>	<p><b>A1: Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)</b></p> <p><u>Target #1:</u> Perform in-depth education on and analysis of at least one investment approach.  <u>Measure #1:</u> Number of new investment approaches that the board evaluates annually.</p>

### FY2007 Resources Allocated to Achieve Results

**FY2007 Component Budget: \$5,472,900**

**Personnel:**

Full time	0
Part time	0
<b>Total</b>	<b>0</b>

### Performance Measure Detail

#### **A: Result - Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.**

**Target #1:** Exceed 1-year and 5-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant.

**Analysis of results and challenges:** PERS 1 yr return data

2002	actual	-5.48	target	-4.36
2003	actual	3.82	target	3.41
2004	actual	15.08	target	15.18
2005	actual	8.86	target	8.78

PERS 5 yr return data

2002	actual	4.57	target	4.90
2003	actual	2.54	target	2.54
2004	actual	3.29	target	3.60
2005	actual	3.04	target	3.24

TRS 1 yr return data

2002	actual	-5.49	target	-4.36
2003	actual	3.81	target	3.41
2004	actual	15.09	target	15.18
2005	actual	8.90	target	8.78

TRS 5 yr return data

2002	actual	4.60	target	4.90
2003	actual	2.55	target	2.54
2004	actual	3.29	target	3.60
2005	actual	3.04	target	3.24

Judicial 1 yr return data

2002	actual	-2.75	target	-3.33
2003	actual	3.95	target	5.62
2004	actual	15.21	target	15.18
2005	actual	8.37	target	8.95

Judicial 5 yr return data

2002	actual	5.16	target	5.18
2003	actual	3.35	target	3.24
2004	actual	4.47	target	4.21
2005	actual	4.26	target	4.54

Military 1 yr return data

2002	actual	-2.13	target	-1.69
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2003 actual 6.27 target 7.77  
 2004 actual 10.72 target 8.20  
 2005 actual 7.01 target 7.74

Military 5 yr return data

2002 actual 5.47 target 5.63  
 2003 actual 3.96 target 4.09  
 2004 actual 4.39 target 4.17  
 2005 actual 3.92 target 4.15

**A1: Strategy - Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)**

**Target #1:** Perform in-depth education on and analysis of at least one investment approach.

**Measure #1:** Number of new investment approaches that the board evaluates annually.

**Analysis of results and challenges:** The Board will continue to evaluate new asset classes at their annual educational workshop.

### Key Component Challenges

- Manage investment risk during times of market volatility; continue to pursue opportunities to increase risk-adjusted returns.
- Integrate asset and liability reporting.
- Draft regulations as necessary for implementation of defined contribution plan.

### Significant Changes in Results to be Delivered in FY2007

- Increased due diligence by staff and trustees;
- Additional board meetings; and
- Increased ability to attract and retain state investment officers

### Major Component Accomplishments in 2005

The Alaska Retirement Management Board was established October 1, 2005.

### Statutory and Regulatory Authority

AS 37.10.210-390 Alaska Retirement Management Board

#### Contact Information

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### Alaska Retirement Management Board Component Financial Summary

*All dollars shown in thousands*

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	23.9	95.9
73000 Services	0.0	4,696.2	5,376.5
74000 Commodities	0.0	14.5	0.5
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>0.0</b>	<b>4,734.6</b>	<b>5,472.9</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	0.0	590.2	522.8
1017 Benefits Systems Receipts	0.0	199.0	199.0
1029 Public Employees Retirement System Fund	0.0	2,553.5	3,098.8
1034 Teachers Retirement System Fund	0.0	1,277.3	1,532.2
1042 Judicial Retirement System	0.0	31.6	36.1
1045 National Guard & Naval Militia Retirement System	0.0	83.0	84.0
<b>Funding Totals</b>	<b>0.0</b>	<b>4,734.6</b>	<b>5,472.9</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Benefits System Receipts	51390	0.0	199.0	199.0
<b>Restricted Total</b>		<b>0.0</b>	<b>199.0</b>	<b>199.0</b>
<b>Total Estimated Revenues</b>		<b>0.0</b>	<b>199.0</b>	<b>199.0</b>

**Summary of Component Budget Changes  
From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>590.2</b>	<b>0.0</b>	<b>4,144.4</b>	<b>4,734.6</b>
<b>Adjustments which will continue current level of service:</b>				
-FY2007 Wage, Health Insurance, Retirement, and Risk Management Increases for Division of Personnel	0.0	0.0	2.1	2.1
<b>Proposed budget decreases:</b>				
-2nd year Fiscal Note PERS/TRS Boards Sec 2 CH 4 SLA 2005 P43 L28 (SB141)	-324.0	0.0	0.0	-324.0
<b>Proposed budget increases:</b>				
-Additional funding for ARMB responsibilities	90.6	0.0	661.9	752.5
-Rent increase for state-owned facilities	0.0	0.0	23.6	23.6
-Cost of personal services provided by Treasury Management	16.0	0.0	118.1	134.1
-First year implementation of defined contribution plan	150.0	0.0	0.0	150.0
<b>FY2007 Governor</b>	<b>522.8</b>	<b>0.0</b>	<b>4,950.1</b>	<b>5,472.9</b>